



# State of Utah

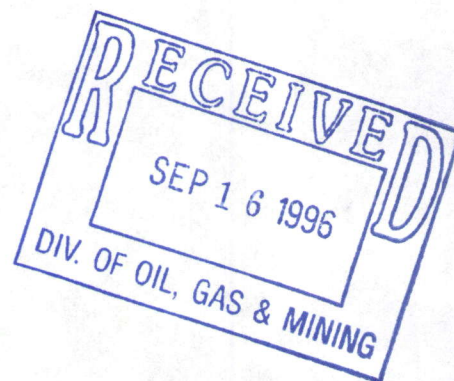
*School and Institutional*  
TRUST LANDS ADMINISTRATION

Michael O. Leavitt  
Governor

David T. Terry  
Director

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m/037/088



September 13, 1996

Gochmour & Associates, Inc.  
P.O. Box 3207  
Englewood, Colorado 80155

ATTN: Pat Gochmour, Principal

RE: School and Institutional Trust Lands Administration bonding requirements;  
Metalliferous Mineral Leases ML-17661 & ML-20569, Lisbon Valley Project, Summo  
USA Corporation; DOGM # M/037/088

Dear Mr. Gochmour:

Under a Memorandum of Understanding between the School and Institutional Trust Lands Administration, formerly the Utah Division of State Lands, and the Division of Oil, Gas and Mining (DOGM), and upon mutual agreement between both parties, posting of a reclamation bond, by a Lessee of Trust land, with either agency shall satisfy bonding requirements of both agencies. It is my understanding that the BLM and DOGM also have a similar Memorandum of Understanding regarding mining on lands administered by the BLM. Since the Lisbon Valley project involves BLM, Trust, and private land it is customary to have DOGM hold the reclamation bond.

As allowed under the second paragraph of Article XII of lease agreements ML-17661 & ML-20569, after the Lessor receives a notice of intent to commence mining operations, upon request of the Lessor, the Lessee shall furnish a bond with approved corporate surety company authorized to transact business in the State of Utah, or other such security acceptable to the Lessor, in an amount to be determined by the Lessor, after taking into account the value of the land and amount of potential damage which likely will result from such proposed mining operations, and which bond or other security shall be conditioned upon payment of all rentals and royalties from the leasehold and other sums which may become payable to the Lessor, and to assure full compliance with the terms and conditions of the lease...



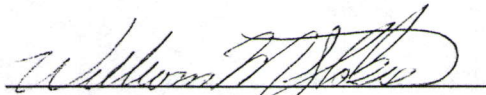
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As DOGM will be holding the reclamation bond the Trust Lands Administration will require an additional bond to cover the rental and royalty obligations of the lease agreement. The bonding amount required to cover the rental and royalty obligations will be set at \$ 25,000.00. This amount is an estimate of the average quarterly production royalty expected from minerals produced from the Centennial ore body over the ten (10) year life of that ore body. Estimated production royalties from the GTO ore body have not been included as part of the bonding requirement as production from the GTO ore body is not expected until the sixth or seventh year of the project life.

The Trust Lands Administration is currently holding a corporate surety bond (# 137589838) in the amount of \$ 5,000.00 with American Casualty Company of Reading, PA as surety and St Mary Minerals Inc. as the principal. A rider to this bond increasing the bond amount to \$ 25,000.00 would satisfy the School and Institutional Trust Lands Administration bonding requirement.

If you have any questions please contact me.

Sincerely,



William M. Stokes  
Minerals Resource Specialist.

cc: D. Wayne Hedberg, DOGM  
Lynn Jackson, BLM Moab District  
Bob Prescott, Summo Moab, Utah